



***Motilal Oswal Home Finance Limited
(MOHFL)***

INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

Approved By

Board of Directors at its meeting held on April 25, 2017	
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INDEX

Sr. No	Particulars	Page No.
1.	Philosophy, purpose and scope	4
2.	Board of Directors	4
3.	Committees	5
4.	Criteria for Fit and Proper Evaluation	8
5.	Conflict of Interest	9
6.	Auditor	9
7.	Policies adopted by the company	10
8.	Disclosures	10
9.	Compliance Officer	10
10.	Review/Revision of Policy	10

VERSION DETAILS

Sr. No.	Details of Changes	Date of Creation/Change	Department	Author	Version Number	Approved By
1.	Original Document	April 25, 2017	Secretarial	Company Secretary	Ver. 1.0	Board of Directors
2.	Review	May 21, 2018	Secretarial	Company Secretary	Ver. 1.0	Board of Directors
2.	Amendment	April 27, 2020	Secretarial	Company Secretary	Ver. 1.1	Board of Directors

Motilal Oswal Home Finance Limited

Internal Guidelines on Corporate Governance (As approved by the Board of Directors of the Company)

1. PHILOSOPHY, PURPOSE AND SCOPE

At Motilal Oswal Home Finance Limited (MOHFL/ 'the Company'), we believe that sound governance practices are the bedrock for the functioning of the Company and for creation of value for its stakeholders on a sustainable and long term basis. This philosophy guides us in maintaining an ethical framework within which we operate.

In order to continue to have best practices and greater transparency in the operations of the Company and in compliance with the Master Circular NHB (ND)/DRS/REG/MC-07/2019 dated July 1, 2019 "Housing Finance Companies –Corporate Governance (National Housing Bank) Directions, 2016" issued by the National Housing Bank (NHB), the Company has framed these Internal Guidelines on Corporate Governance.

2. BOARD OF DIRECTORS

The Company's Board has a primary role of trusteeship to protect and enhance stakeholders value through supervision and strategic inputs. The Board along with its Committees provides supervision and exercises appropriate controls and in addition to basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity.

The Board shall have a suitable combination of Executive and Non-Executive Directors, with at least one woman Director and at least one – third of the total number of Directors being Independent Directors. All the Directors shall meet the 'fit and proper' criteria as prescribed by the NHB.

The Directors bring to the Board a wide range of experience and skills, which includes banking, global finance, loan, accounting and economics. None of the Directors of the Company are related to each other.

All the Directors on the Board (except Independent Directors and Executive Director) are liable to retire by rotation and one third of such Directors shall retire at every Annual General Meeting of the Company. The Directors who are longest in office shall retire and in accordance with the provisions of applicable laws shall be eligible for re-election.

Meetings of the Board

At least 4 meetings of the Board shall be held in every calendar year and at least 1 (one) meeting will be held every calendar quarter, with a maximum time gap of 120 (one hundred and twenty) days between two Board meetings. The minimum information to be statutorily made available to the Board shall be furnished to the Directors before the meeting.

The decisions of the Board shall be taken by simple majority of the Directors and each Director shall exercise one vote.

Board Independence

Independent Directors are expected to play a key role in the decision-making process of the Board by participating in the process of framing the overall strategy of the Company. The Independent Directors should strive to bring in an independent, impartial and objective view to discussions at the meetings of the Board and its Committees and they shall act in a way that is in the best interest of the Company and its stakeholders.

Independent Directors appointed on the Board of the Company shall fulfill the criteria of independence as set out under the provisions of Companies Act, 2013 and other applicable laws in this regard. They shall submit an annual declaration affirming compliance with the criteria of independence for every financial year and such declaration shall be submitted whenever there is any change in circumstances which may affect their independence.

An Independent Director shall hold office for a term of up to five consecutive years and shall be eligible for re-appointment for another term of up to five consecutive years on passing of a special resolution by the Company. Provided that an Independent Director, who completes two consecutive term(s) shall be eligible for appointment as Independent Director in the Company only after the expiration of three years of ceasing to be an Independent Director in the Company.

Board Compensation Review

The remuneration payable to the Director(s) shall be determined by the Nomination and Remuneration Committee and shall be recommended to the Board for its consideration and approval. The remuneration payable shall be in accordance with the Board approved Remuneration Policy and applicable laws.

Presently, the Non-Executive Independent Directors of the Company are paid remuneration by way of sitting fees for attending Meetings of the Board and its Committees, and by way of commission, in compliance with the applicable laws in this regard.

3. COMMITTEES

The Board has constituted several committees to deal with specific matters and for operational convenience, delegated powers for different functional areas to different Committees in accordance with the applicable laws. The Audit Committee, the Nomination and Remuneration Committee, the Corporate Social Responsibility Committee, the Finance and Securities Allotment Committee and other Committee(s) have been constituted in accordance with the provisions of the Companies Act, 2013, guidelines / directions issued by the NHB as applicable to the Company, the Securities and Exchange Board of India ('SEBI') and for internal requirements and operational convenience. The composition, terms of reference and functioning of the Committee(s) shall be decided by the Board of Directors in accordance with the provisions of the applicable laws.

Minutes of meetings of Board Committees and other Committee(s) as specified by the Board would be placed before the Board for its perusal, discussion and noting. The decisions of the Committees shall be taken by simple majority of the members of the respective Committees and each member shall exercise one vote.

**Details of various Committee(s) are as under:
AUDIT COMMITTEE (AC)**

The Audit Committee shall be responsible to deal with all material questions concerning the auditing and accounting policies of the Company and its subsidiary(ies) and their financial controls and systems or any other function as may be determined by the Board.

Terms of reference of Audit Committee

- i. The recommendation for appointment, remuneration and terms of appointment of auditors of the company;
- ii. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
- iii. Examination of the financial statement and the auditors' report thereon;
- iv. Approval or any subsequent modification of transactions of the company with related parties;
- v. Scrutiny of inter-corporate loans and investments;
- vi. Valuation of undertakings or assets of the company, wherever it is necessary;
- vii. Evaluation of internal financial controls and risk management systems;
- viii. Monitoring the end use of funds raised through public offers and related matters.
- ix. Ensure that an Information System Audit of the internal systems and processes is conducted at least once in two years to assess operational risks faced by the HFCs.

Additional terms of reference of the Audit Committee relating to Risk Management:

- To assist the Board in its responsibility for disclosure in relation to risk management in the annual report.
- To carryout Periodic review , monitor, assess the quality and effectiveness of the Risk Management plan and ensure that the risk policies and strategies are effectively managed and the risk taken are within the agreed tolerance and appetite levels.
- To review MOHFLs interest rate and liquidity management framework market (including funding, liquidity & treasury), and policies, processes and systems used to manage exposures.
- To review and provide feedback to Management on the categories of risk MOHFL faces, particularly credit, and operational risk, the exposures in each category, significant concentrations within those risk categories, the metrics used to monitor the exposures and Management's views on the acceptable and appropriate levels of those risk exposures. The other risk management responsibility to include
- Analysis of the vendor payments amounting to Rs. 5 lakhs and above per quarter to single vendor (including but not limited to Brokerage & Commission , vendors for due diligence, sourcing vendors etc)
- To implement and set up the Risk / Fraud Containment unit to guard MOHFL against any deliberate attempt to commit any fraud resulting in financial and reputation loss.
- To analyse and implement controls to detect revenue leakage in any form or the other.
- To perform hind sighting audit to identify if the policies and procedures of MOHFL has been complied and implemented which includes underwriting policies and other SOPs.

NOMINATION AND REMUNERATION COMMITTEE (NRC)

The Nomination and Remuneration Committee shall be responsible to (i) deal with nomination, appointment and remuneration of Directors on the Board; (ii) decide on remuneration packages (including pension rights, employee's stock options and compensation payments, etc.) of the Executive Directors, Non- Executive Directors including Independent Directors and Senior-level employees; (iii) implement and monitor employee stock options scheme(s) and related matters; (iv) decide on appraisal, performance bonus and variable pay of all employees including Non-Executive Independent Directors in compliance with applicable laws and (v) the related matters in accordance with the applicable laws.

Terms of reference of Nomination and Remuneration Committee:

- i. Formulate criteria for determining qualifications, positive attributes and independence of an Individual who may be appointed as a Director or Key Managerial Personnel or in senior management level of the Company;
- ii. Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal;
- iii. Specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Committee or by an independent external agency and review its implementation and compliance;
- iv. Recommend to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel and other employees. The policy shall be referred as Nomination and Remuneration policy.
- v. To ensure 'fit and proper' status of proposed/ existing directors.
- vi. To formulate, implement and administer Employee Stock Option Scheme(s) of the Company and grant stock options to the eligible employees.
- vii. Any other function as may be mandated by the Board or stipulated by the Companies Act, 2013, National Housing Bank guidelines or any other regulatory authorities from time to time..

FINANCE AND SECURITIES ALLOTMENT COMMITTEE

Finance and securities Allotment Committee shall deliberate and approve all matters relating to Finance, allotment of the securities and all other matters, acts and deeds that may be necessary in this regard.

Terms of reference of Finance and Securities Allotment Committee as under:

- i. Allotment of all type of securities on such terms and conditions as may be agreed from time to time in this regard.
- ii. Issue of shares certificate/ debenture certificate/ letter of allotment or any type of certificates which is required for the allotment of the securities.
- iii. To borrow moneys
- iv. To invest funds of the Company.
- v. To grant loans or give guarantee or provide security in respect of loans
- vi. To consider and approve/accept the letters of sanction by the term lending institutions /Banks/NHB and other bodies corporate, opening and/or closing of the current accounts/cash credit/overdraft/fixed deposits or other account(s) with any bank and authorize the Directors/officers of the Company for the purpose.

- vii. To authorize operation of such accounts of the company with its bankers and to vary the existing authorization to operate the same and granting of general/specific power of attorney to the officers at the branches for routine matters and any such matters pertaining to the routine functions.
- viii. To approve the change/s of rate of interest of all loan products or on debentures, debts or any other instruments/financial products issued by the company.
- ix. To grant approval of loans upto Rs. 25 crore to any person, firm or body corporate at any time or from time to time subject to the limits prescribed under the Housing Finance Companies (NHB) Directions, 2010, as may be applicable.
- x. To open and close the current account(s) with any bank(s) at any place outside the territory of India and to finalize/vary the authorization(s) to operate the same.
- xi. To open and close the securities/demat/custodian account(s) with any depository/ participant at any place in India and abroad and to finalize/vary the authorization(s) to operate the same.
- xii. Any other matter with as may be delegated by the Board from time to time.

CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

The CSR Committee shall decide upon the corporate social responsibility activities of the Company and the CSR expenditure to be incurred by the Company and recommend the same to the Board for its consideration and approval. The Committee shall be responsible for monitoring the CSR Policy of the Company.

Terms of reference of Corporate Social Responsibility Committee:

- (i) Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII of the Companies Act, 2013
- (ii) Recommend the amount of expenditure to be incurred on the activities referred to in clause (i)
- (iii) Monitor the Corporate Social Responsibility Policy of the company from time to time.
- (iv) Update the Board on the implementation of various programmes and initiatives."

4. CRITERIA FOR FIT AND PROPER EVALUATION

MOHFL shall undertake a process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as a Director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria.

- a) MOHFL shall obtain necessary information and declaration from the proposed / existing Directors.
- b) The process of due diligence shall be undertaken by the MOHFL at the time of appointment / renewal of appointment.
- c) The Boards of the MOHFL has constituted Nomination Committees to scrutinize the declarations.
- d) Based on the information provided in the signed declaration, Nomination Committees shall decide on the acceptance or otherwise of the Directors, where considered necessary.
- e) MOHFL shall obtain annually as on 31st March a simple declaration from the Directors that the information already provided has not undergone change and where there is any change, requisite details are furnished by them forthwith.
- f) The Board of MOHFL must ensure in public interest that the nominated/ elected Directors execute the deeds of covenants.

PERFORMANCE EVALUATION

The Nomination and Remuneration Committee of the Company shall evaluate the performance of the individual Directors, the Board, as a whole and its Committees. The Nomination Committee shall provide an overview Report of the evaluation conducted by it, to the Board for their discussion and analysis.

5. CONFLICT OF INTEREST

The Company expects its Directors, officers and other employees to act ethically at all times and to acknowledge their adherence to the policy(ies) and code(s) adopted by the Company.

The Directors, senior management and other employees of the Company shall endeavor to avoid any conflict of interest with respect to their dealings with the Company. A conflict of interest exists when benefits or interests of one person or entity conflict with the interests or benefit of the Company. If a Director has a potential conflict of interest in a matter under consideration by the Board or a Committee, such Director shall disclose his interest in accordance with the provisions of applicable laws and abstain from deliberations and voting on such matter. A Director who is interested in any proposed transaction shall not exercise any influence over other Board/Committee Members in any manner whatsoever. Officers and other employees must disclose the circumstances of any possible conflict of interest to his / her supervisor and the Managing Director and CEO, for a determination about whether a potential or actual conflict exists. If an actual or potential conflict is determined, the Company may take whatever corrective action appears appropriate according to the circumstances. Failure to disclose facts shall constitute grounds for disciplinary action.

6. AUDITORS

Statutory Auditors

The Board and the Audit Committee of the Company shall be responsible to appoint Statutory Auditors who demonstrate professional ability and independence. The Company shall review the independence and performance of the Statutory Auditors and the effectiveness of the audit process periodically. Declaration shall be obtained from the Auditors affirming their eligibility for being appointed as the Statutory Auditors of the Company.

Further, the Company shall rotate the partner/s of the Chartered Accountant firm(s) conducting the statutory audit of the Company every three years or such other earlier period as may be decided by the Board, so that same partner does not conduct audit of the company continuously for more than a period of three years. However, the partner so rotated shall be eligible for conducting the audit of the Company after an interval of three years.

Internal Auditors

The Board and the Audit Committee of the Company shall appoint Internal Auditors in accordance with the provisions of applicable laws and regulations who shall perform independent and objective assessment of the internal controls, processes and procedures instituted by the management and accordingly monitor its adequacy and effectiveness.

Secretarial Auditors

The Board shall appoint an independent company secretary in practice, in accordance with the provisions of the Companies Act, 2013 and Rules made thereunder to conduct a secretarial audit of the Company for every financial year. The Secretarial Auditor shall provide its report in the form and manner prescribed under the applicable laws / regulations. The Secretarial Audit Report shall be placed before the Board for its noting and records and the same be annexed to the Board's Report which shall be circulated to the members of the Company in accordance with the applicable laws / regulations.

7. POLICIES ADOPTED BY THE COMPANY

The Company shall adopt such policies, as may be required to adopt under the Companies Act, 2013, the NHB Guidelines / Directions applicable to the company, and such other laws and regulations as may be applicable.

The policies adopted may be reviewed by the Board from time to time.

8. DISCLOSURES

The Company is committed to make adequate disclosures based on the principles of transparency, timeliness, fairness and continuity. The Board of Directors and employees of the Company shall ensure and make necessary disclosures to the Company, the Regulator(s) / Statutory Authorities, the Shareholders, Investors, Members or other stakeholders as may be required by the applicable laws and the codes / policies of the Company.

The Board of Directors of the Company or such other person authorized by the Board or any law / regulation, shall ensure that all the disclosures statutorily required to made on behalf of the Company are duly made to the Regulatory/ Statutory authorities or such other persons as maybe required under applicable laws / regulations.

9. COMPLIANCE OFFICER

Compliance Officer shall be appointed by the Board of Directors.

10. REVIEW/REVISION OF THE POLICY

If at any point a conflict of interpretation / information between the Policy and any regulations, rules, guidelines, notification, clarifications, circulars, master circulars/ directions issued by relevant authorities ("Regulatory Provisions") arises, then interpretation of the Regulatory Provisions shall prevail.

In case of any amendment(s) and/or clarification(s) to the Regulatory Provisions, the Policy shall stand amended accordingly from the effective date specified as per the Regulatory Provisions. The Board reserve(s) the right to alter, modify, add, delete or amend any of the provisions of the Policy.